Despite the recession, multinationals continue to move an increasing number of staff abroad. And there is good reason for doing so: As suppliers such as Continental follow their key clients into new markets, as service providers such as Sun Oracle need to ensure local proximity to their clients around the globe, there is a growing need to develop global managers who can effectively bridge a multinational’s different units and understand both global strategic concerns as well as local market requirements.

However, the times in which multinationals restricted themselves to a unilateral transfer of parent-country employees from corporate headquarters (HQ) to foreign subsidiaries are long gone. In fact, parent-country expatriates are only one of many types of international assignees who are temporarily relocated across geographical and cultural boundaries. Successful companies from Adidas to Royal Dutch Shell understand this as they develop a portfolio of international staffing strategies such as traditional expatriation, inpatriation, virtual assignments, short-term transfers or business travel to manage their global operations.

Incoming! Five Benefits of Inpatriation
Among the various alternatives to expatriate transfers, the temporary inpatriation of foreign subsidiary managers to HQ, usually for a duration of one to five years, has received increasing attention by multinationals for several reasons.
First, as multinationals are trying to contain their rising costs for international staffing, the inpatriation of foreign staff is often a cheaper alternative than relocating parent-country employees, especially in the case of inpatriates from developing and emerging economies, where the salary level is relatively lower.

Second, multinationals are facing increasing barriers to international mobility among their parent-country employees, as dual-career couples are less willing to relocate to another country at the expense of the partner’s career. Inpatriates, who tend to be younger, often have fewer family constraints, and given the alternative of staying put in a small country unit, they view an assignment to HQ as a significant career opportunity that is hard to refuse.

Third, the inpatriation of foreign staff is often the only way for HQ to gain sufficient local knowledge for entering and developing new markets. For example, when Lufthansa decided to expand its cargo business from Europe to China and Taiwan, instead of sending a German expatriate to those regions, the company inpatriated a Hong Kong Chinese who knew the local market and could quickly push the business in that direction.

Fourth, inpatriation serves as an important developmental tool whose benefits are twofold. By absorbing the corporate culture and learning the management practices of HQ, inpatriates are better prepared to assume future management responsibilities in local or regional offices. This, in turn, reduces the perception among local staff that there is a glass ceiling, especially in strategic units whose top management positions are mainly staffed by expatriates. These factors can help to retain key talent in the long term. In fact, in a study among Western multinationals operating in Singapore, I found the lack of such international career prospects to be one key determinant of turnover among local subsidiary staff.

Finally, providing development opportunities beyond the local unit also helps to gain support from the local workforce in situations of organizational change. Consider the case of an Australian franchisee of a large U.S. soft drinks producer that set up operations in Vienna. When the company found itself with a strategic opportunity to expand into Eastern Europe, it was hampered by its failure to prepare local staff sufficiently for international transfers. When the decision was made to acquire operations across Eastern Europe, the local Viennese staff was unwilling to relocate, which required the company to transfer more staff from Australian HQ. This resulted in greater staffing costs, and strained human resources and career planning at HQ for several years.

Despite these many benefits, the process of inpatriation is often not as formalized or structured as the expatriation of parent-country employees, as one U.S. inpatriate found out: “As an inpatriate, you are still considered exotic. The processes for being transferred from HQ are very clear, but as an inpatriate, you have to manage a lot on your own.”

What’s more, given the relative recency of the inpatriate phenomenon, the key driv-
Inpatriates face greater adjustment challenges compared with expatriates. Not only do they have to adjust to the national culture, but they also need to be socialized into HQ culture.

Inpatriates tend to be relatively younger employees or middle managers who are transferred to a multinational’s HQ, often for developmental purposes. Their role is, therefore, much less as a specific corporate agent, more one of global potential. The inpatriates in my study were an average of 37 years old. They came from 45 different cultures, covering all major regions of the world. Among the 286 inpatriates, around 60 percent came from developed countries in North America, Western Europe and the Pacific Rim, while the remaining 40 percent came from developing and emerging economies. In terms of national origin, inpatriates tend to be much more diverse than their expatriate cohorts, who largely originate from developed economies, which continue to host the highest number of multinationals.

Another difference between the two groups of assignees is their status in the host unit. Expatriates carry status as HQ representatives. Inpatriates, who come from the

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periphery of the multinational, first need to earn respect and credibility before gaining comparable status, especially if they are from developing economies or relatively small foreign operations.

Similarly, regarding their level of influence, expatriates usually possess an explicit mandate to implement HQ procedures and practices in foreign subsidiaries, whereas inpatriates’ objectives are often less tangible, requiring that they learn HQ knowledge and share subsidiary knowledge.

Inpatriates also face greater adjustment challenges compared with expatriates. In fact, inpatriates not only have to adjust to the national culture, but they also need to be socialized into HQ corporate culture.

As a Singaporean inpatriate remarked, “It was to be expected that the German culture would be very different for me (…but) what I did not foresee was how different HQ looks from afar. And I’d say that it has been more important for me to come to terms with the culture in HQ than with the German culture.”

This is very different from expatriates, who are expected to impose elements of HQ corporate culture upon the subsidiary they are sent to.

A final distinction is that the use of inpatriates increases the cultural diversity and multicultural composition of staff at HQ. Integrating inpatriates into HQ management teams, even temporarily, means that a higher share of employees with diverse cultural backgrounds will be collaborating directly. The use of expatriates, on the other hand, reflects an ethnocentric, HQ-based view toward international staffing, and expatriates generally continue to coordinate with their own HQ management teams. In this regard, the transfer of inpatriates to HQ has the added benefit of exposing HQ staff to international perspectives.

Facilitators to Inpatriate Success

While inpatriation has certain cost advantages over traditional expatriate assignments, any international relocation entails a heavy investment with an uncertain future return. This is especially true for inpatriate transfers, given their developmental nature and intrinsic long-term benefits. For multinationals to get the most out of this investment,
A multinational should strive for inpatriates’ long-term retention, so that they can continue to link HQ with subsidiaries, and eventually replace expatriate staff in the local or regional office.

understanding the key drivers and barriers to success is critical.

In my study of inpatriates at German multinationals, I was interested in two different but interrelated dimensions of inpatriate success. First, since inpatriates are expected to learn the HQ corporate culture and HQ management practices while also sharing their expertise of the local subsidiary context, knowledge exchange between inpatriates and HQ staff must be important.

Second, given the developmental nature of inpatriate transfers and inpatriates’ understanding of both HQ and subsidiary contexts, a multinational should strive for their long-term retention, so that inpatriates can continue to link HQ with subsidiaries, and eventually replace expatriate staff in the local or regional office.

Based on my findings, I identified three key factors that facilitate the success of inpatriate transfers.

SOCIAL CAPITAL. Social capital appears to be the most important factor for both inpatriates’ knowledge sharing and their retention. Social capital is a concept that goes beyond mere social relationships; it includes trust and shared identity. Building social relationships enables inpatriates to locate those HQ employees who can benefit the most from their expertise of the subsidiary context, and enables them to access relevant HQ-specific information for themselves. For example, a Thai inpatriate used social relationships with a higher-level colleague at HQ to obtain the help she needed to compile a project report in accordance with HQ standards.

At the same time, a large part of the knowledge that inpatriates exchange with HQ staff is culturally imprinted. It is not easy to explain how to deal with local government agencies in China if the other person has no knowledge of appropriate business conduct in China. In this case, a trusting relationship will help the inpatriate and the HQ counterpart to learn about each other’s different frames of reference and to interpret the meaning of the knowledge that is shared.

These social relationships and the trust developed with HQ staff can be maintained even after the inpatriate transfer has been completed; in fact, they are instrumental for inpatriates to access HQ knowledge relevant for their new positions.

Trust also makes it more likely that the inpatriate will see positive career opportunities and continue to stay with the company upon completion of the transfer. Trusting relationships with HQ staff provide useful career support and endorsement.

Another aspect of social capital is identification with HQ. Identification helps inpatriates learn about and become socialized into HQ corporate culture, while increasing the likelihood that inpatriates will see career opportunities and remain with the multinational after their transfer ends. Identification enables inpatriates to understand what is required of them, in order to be successful and get promoted in the company.

MENTORING. A second factor that contributes to the success of inpatriate assignments is the existence of mentoring. HQ mentors are able to open doors for inpatriates and essentially share their own social capital with them.

Furthermore, the fact that a mentor backs the inpatriate allows the latter to receive attention from other HQ colleagues and have his or her qualifications acknowledged by seniors. This is particularly relevant for inpatriates who are newcomers from different cultures, because their qualities and skills may be more difficult to assess by HQ staff due to cross-national differences in educational and organizational promotion systems.

Finally, a HQ mentor can provide access to resources, such as important information about existing power structures and infor-
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Ethnocentric attitudes among HQ staff inhibited inpatriates’ ability to identify with HQ. This made it more difficult for them to engage in knowledge exchanges, and less likely they would remain with the company.

Mal communication channels in HQ. As HQ colleagues become more forthcoming with information and inpatriates get to know additional sources of information, they enlarge their social capital and knowledge exchanges. Mentoring is a crucial driver of this whole process. This is especially important for shorter assignments, when inpatriates have less time to develop relationships.

**Language Proficiency.** The third facilitator is the inpatriate’s proficiency in the host language. It is worth noting that this factor is particularly relevant for multinationals in which English is not the parent-country language. Although most multinationals mandate the use of English as the corporate language, especially if employees from different national origins interact, in reality a large part of communication occurs in the HQ country language. Inpatriates who are fluent in this language will be able to adjust more quickly to the HQ environment while also better understanding the subtleties of the HQ corporate culture and specific practices and routines. Host language proficiency also helps inpatriates to develop social capital with HQ staff more quickly.

**Barriers to Inpatriate Success**

My study also identified three barriers to successful inpatriation.

**Ethnocentrism.** As cultural and organizational outsiders to HQ, inpatriates may face biases and negative perceptions among HQ staff. This problem is more relevant for inpatriates than expatriates, given that the former have less status and influence attached to their position.

Ethnocentrism refers to the belief that the values and attitudes held in one’s own culture are superior to those embraced by people in other cultures. For example, an Indian inpatriate remembered the frequent doubts that his HQ colleagues voiced concerning the need to employ an inpatriate from abroad rather than tapping homegrown talent, and this made it more difficult for him to provide value to the HQ operation.

My study demonstrated that ethnocentric attitudes among HQ staff had a restraining effect for inpatriates. In fact, host ethnocentrism inhibited inpatriates’ ability to build trusting relationships and develop identification with HQ. This, in turn, made it more difficult for inpatriates to engage in knowledge exchanges, and also made it less likely for inpatriates to remain with the company in the long term.

**Cultural Distance.** Imagine a male inpatriate being transferred from an Indonesian subsidiary to the headquarters of a German multinational to learn HQ routines and practices and to share his knowledge of the Indonesian market. Can we assume this knowledge sharing will take place automatically just by relocating this person from a vastly different cultural environment to HQ? The answer, of course, is no.

When communicating across cultures, people transmit words and signals rather than meaning. The greater the cultural differences between the sender and recipient, the more likely the meaning of what is exchanged may be perceived differently, leading to incorrect attributions. The actual exchange of knowledge only occurs if the knowledge sent is correctly interpreted.

My argument is thus: The greater the distance between the inpatriate’s home culture and the HQ country culture, the less knowledge exchange actually occurs. Moreover, cultural distance also negatively impacts inpatriates’ ability to build trusting relationships with host colleagues and to identify with HQ, and by extension, reduces the likelihood of inpatriate retention.

**Lack of Repatriation and Career Planning.** Out of all the factors measured, inpatriates rated
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Managing the Inpatriation Process
CAPITALIZING ON INPATRIATE TRANSFERS REQUIRES THAT MULTINATIONALS HEED THESE CONSIDERATIONS AT EVERY STAGE.

**SELECTION**
- Prefer candidates with:
  a) previous international experience
  b) ease in building social relationships
  c) host language proficiency

**PREPARATION**
- Provide cross-cultural training for inpatriates and HQ staff
- Identify suitable HQ mentor

**RELOCATION**
- Provide ample opportunities for inpatriates to develop relationships with other departments or functions
- Provide ongoing development and social activities

**REINTEGRATION**
- Make sure inpatriate transfer fits into logical career path
- Reconcile compensation systems across units

Multinationals: Take Hold of the Process

Given these challenges, capitalizing on inpatriate transfers requires multinationals to manage inpatriation across every stage of the process (see Figure 2).

**SELECTION STAGE.** There are implications concerning the criteria that HR managers need to apply for selecting individuals for inpatriate assignments. Whereas many companies only focus on technical expertise, other selection criteria should be considered, too. For example, given the negative influence of cultural distance, it is important to choose individuals who have gained prior international exposure, either through previous international assignments, or as a result of having lived or studied abroad for a substantial period of time. It is likely that these previous cross-cultural experiences reduce inpatriates’ perceived cultural distance.

It is also important for HR managers to take into account the quality and scope of potential candidates’ social networks in their home unit. For example, if an individual is able to maintain an extensive social network at home that spans different work groups, departments or even functional areas, this indicates that the person will be more able to build a similar network in a new work context.

Finally, candidates with greater host language abilities should be preferred.

**PREPARATION STAGE.** While much has been written about cross-cultural training for the actual assignee, local staff is often left out of the equation. However, due to the role of host ethnocentrism as an important barrier to inpatriate success, companies will also need to involve HQ staff more explicitly in the inpatriation process and prepare them to interact with inpatriates on an everyday basis. Only if locals understand the value that inpatriates can contribute to the organization will inpatriates be able to receive the necessary credit to build social capital at HQ.

In addition, it is important at this preparation stage to search for and identify an appropriate HQ mentor who will be able to accompany the inpatriate upon arrival at HQ.

**RELOCATION STAGE.** Given the developmental nature of most inpatriate transfers, companies are well advised to provide inpatriates with ample opportunities to get to know and
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It is important to change the traditional mindset that views multinationals as HQ-centric organizations whose foreign subsidiaries are dependent. Diversity in staffing provides a broader understanding.

develop relationships with different departments and functions at HQ. Having this diverse exposure allows inpatriates to build greater social capital as well as learn and exchange knowledge with a wider range of sources.

It is also important for multinationals to offer ongoing development and social activities during the relocation that help inpatriates to develop identification with and become socialized into the HQ corporate culture.

**Reintegration Stage.** The study also highlights strategic issues arising from the use of inpatriates. Whereas many companies plan and conduct international transfers on an ad hoc basis, such an approach fails to capitalize on the long-term benefits that result from inpatriation. Consequently, HR managers need to embed staff transfers into logical career paths that fit with the long-term goals of both the company and the individual assignee.

In addition, inpatriation requires greater integration of the different compensation systems that exist in a multinational. The reintegration of inpatriates to countries with substantially lower market salaries can lead to a huge decrease of salary, a gap that is often more pronounced than in the case of expatriate assignments, and may thus trigger turnover tendencies among returning inpatriates.

Above all, it is important to change the traditional mindset that views multinationals as HQ-centric organizations whose foreign subsidiaries are dependent. Adidas, a premier global sporting goods brand, is an exemplary case of overcoming this HQ bias. Its corporate HQ – located in Herzogenaurach, a small town in the south of Germany – is merely one of many company units spread around the globe. People are transferred in all directions, with HQ acting as a provider as well as a recipient of international staff, just like every other unit. HR managers at Adidas concur that it is this diversity in staffing that provides employees with a broader understanding of the overall organization, that offers career opportunities beyond the local context for parent-country as well as foreign employees, and that ultimately enables the company to respond to local differences in tastes and preferences. This is something that every multinational would be well advised to learn from.

**To Know More**


